



Central Bank of Tunisia

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# ***THE ECONOMIC SITUATION PERIODICAL***

**JULY 2011**

**N°92**

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## **THE INTERNATIONAL ENVIRONMENT**

- Downward review of International Monetary Fund forecasts regarding world economic growth for 2011.
  - Decrease in some commodities' prices, though still at high levels compared to 2010.
  - Reappearance of inflationary pressure, particularly in developed countries.
  - Ongoing volatility of the exchange rates of main foreign currencies with an upward trend of the euro and the Japanese yen.
  - Downward trend of main international stock market indexes, mainly in the wake of public debt crisis in industrialized countries.
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## **THE NATIONAL CLIMATE**

- Increase of agricultural production, especially cereals.
  - Progressive improvement of the production pace in export-oriented manufacturing industries, contrasting with the regress in mining and phosphate byproducts production.
  - Ongoing regress in some service activities, particularly, tourism and air transport.
  - Stabilization of inflation as of June 2011, and for the fourth month in a row, at 3.1%.
  - Intensification of bank liquidity tightening over the second quarter of 2011 and slower pace in M3 money supply increase during the first half of the same year.
  - Slight recovery in stock market activity contrasting with weak business issues on the primary market.
  - Wider deficit of the general balance of payments following deterioration of the balance of financial operations and in capital.
  - Depreciation of the Tunisian dinar against the euro and its appreciation against the US dollar.
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## INTERNATIONAL ENVIRONMENT

Over the first half of 2011, **international environment** was marked by slower pace of the economic activity in some industrialized and emerging countries, in the wake, notably, of the impacts of the public indebtedness crisis and high levels of commodities world prices, particularly energy. On the other hand, the exchange rates of main currencies and international stock markets indexes continued to be volatile, in line with worsening sovereign debt crisis in some industrialized countries.

In this context, the International Monetary Fund (IMF) reviewed, in June 2011, the world economy growth rate expected to reach 4.3% in the current year compared to a forecast of 4.4% in last April. This downward review concerned mainly **developed countries** (2.2% vs. 2.4%), notably **Japan** (-0.7% vs. 1.4%), hit by fallouts from the earthquake and **The United States of America** (2.5% vs. 2.8%) where manufacturing industries activity, notably automobile industry was affected by the negative effects of Japan's economic environment.

On the other hand, the IMF has made an upward review of growth forecasts **for emerging and developing countries** (6.6% vs. 6.5% previously). This improvement concerned, particularly, Central and Eastern Europe countries (5.3% vs. 3.7%).

As for **job situation**, it has experienced certain deterioration in main industrialized countries in line with slower pace of economic activity, with an unemployment rate reaching, in June 2011, 9.2% in the United States and 4.6% in Japan against 9.1% and 4.5% respectively in the previous month. As for the Euro Zone, unemployment rate stood at 9.9% in June for the fourth month in a row.

**Commodities world prices** recorded a certain regress compared to end 2010 in line with slower pace of economic activity in a number of industrialized and emerging countries. It is worth mentioning that prices drop posted, as of July 2011, 15.1% for wheat, 7.1% for sugar and 29.2% for cotton. **Energy prices** went up again after experiencing a downward trend, in line with easing beginnings of the public debt crisis in some Euro Zone countries. Thus, the price of crude oil reached 116.74 dollars for the Brent and 95.70 dollars for the US light as of July 2011 against 111.77 and 99.94 dollars respectively in the beginning of the same month.

**Inflation rate** was stable in main industrialized countries over June 2011, but while standing at high levels compared to the previous year. In fact, increase in consumer prices in terms of annual shift came to 3.6% in the United States and 2.7% in the Euro Zone, against 1.1% and 1.5% respectively a year ago.

On the **foreign exchange markets**, exchange rates of the main currencies pursued their volatility, in the wake of the sovereign debt crisis in a number of industrialized countries especially with Italy's approval, in July 2011, of an austerity programme amounting to 48 billion euros by 2014, being, thus, the fourth country within the Euro Zone, after Greece, Ireland and Portugal, to engage such a programme to limit the increase of its public debt. In this context, the euro exchange rate fluctuated between 1.43 and 1.45 dollar over June and July 2011, with a downward trend during certain periods. As for the Japanese yen, it posted a significant appreciation against the US dollar, posting less than 80 yens per dollar since the second week of July, benefiting from its consideration as a safe currency by investors due to difficulties encountered by the United States and the Euro Zone as regards public debt. These difficulties brought about a drop in the **main international stock markets indexes** reaching, during July 2011, 3.5% for Dow Jones, 2.1% for Nasdaq and 8.3% for CAC 40.

# THE NATIONAL CLIMATE

## ECONOMIC ACTIVITY : Improvement of agricultural production, contrasting with the regress of manufacturing industries, mines and some service sectors activity

Over the first half of 2011, the **national economy** registered a regress which hit most sectors, due to the impacts of the events that the country has experienced since last January, in addition to fallouts from worsening situation in Libya. This regress concerned, notably, mining, phosphate byproducts, energy, tourism and air transport sectors. Such a situation had negative repercussions on investment, employment, consumption, foreign trade and state budget receipts. On the other hand, agricultural and fishing production posted a significant progress, notably for cereals. Besides, inflation rate was maintained at an acceptable level : 3.1% at the end of June for the fourth month in a row.

It is expected that economic activity regress will go on over the second half of the year but less sharply, which will have repercussions on the level of economic growth that may be limited this year, according to the estimations of the Ministry of Planning and International Cooperation, to 0.2% against 3% in 2010.

### 1) AGRICULTURE AND FISHING

**Cereal production** for the current campaign 2010-2011 is estimated to about 23 million quintals divided up into 13.2 million quintals of hard wheat, 7 million quintals of barely and triticale and 2.8 million quintals of soft wheat, compared to a total crop of 10.8 million quintals in the 2009-2010 campaign. **Collected quantities** reached 10 million quintals as of 28 July 2011, against 5 million quintals during the same period of the previous campaign.

The noticeable increase in cereal production and in collected quantities compared to the previous campaign is attributable to favourable climate conditions and ongoing state encouragements which allowed for a growth in planted areas (1,500 thousand hectares compared to 1,234 thousand in the 2009-2010 campaign), an increase in the share of harvested areas (more than 90% of against 51% in the previous campaign) and an improvement of average yield per hectare.

In order to further encourage farmers to rapidly deliver produced quantities of cereal before end of August 2011, it has been decided to increase the exceptional premium for collection, up to two dinars per quintal for hard wheat and barely and triticale, coming in at 17 dinars and 12 dinars per quintal, respectively. The premium granted to soft wheat collection was maintained at 10 dinars per quintal. Hence, prices of cereals collected before 31 August 2011 were raised up to 60 dinars per quintal for hard wheat and 42 dinars for barely and triticale against 45 dinars for soft wheat, bearing in mind that the average import price of hard wheat amounted to 56 dinars per quintal during the first five months of 2011.

As for financing, **overall credits granted to the cereals sector** by the National Agricultural Bank reached about 55 MTD, during the 2010-2011 campaign, compared to roughly 47 MTD in the previous campaign. The amount of reimbursed credits till mid-July 2011 posted 12.2 MTD against 7.4 MTD for the same period of 2010.

As for **arboriculture**, olive oil harvest in the 2011-2012 campaign is estimated to vary between 900 thousand and 990 thousand tonnes : the equivalent of 180 thousand to 200 thousand tonnes of oil compared to 120 thousand tonnes achieved in the previous campaign. It is worth mentioning that **olive oil exports** reached about 82 thousand tonnes in the beginning of the campaign till the end of June 2011, compared to 76 thousand tonnes during the same period of the previous campaign.

As far as **dates** are concerned, exports rose, from the beginning of the campaign till 28 July 2011, up to about 75 thousand tonnes worth 280 MTD against 70 thousand tonnes and 238TMD during the same period of the previous campaign, following the increase in 2010 level of production (174 thousand tonnes compared to 162 thousand tonnes in 2009), notably deglet-nour variety (+8.8%).

As for **fishing and aquaculture**, production came back to 58 thousand tonnes during the first seven months of 2011, against 60 thousand tonnes in the same period of the previous year.

## 2) INDUSTRIAL ACTIVITY

**Industrial production general index** recorded a recovery in April 2011 accounting for 1.6% in annual shift after a considerable regress over the first quarter. This increase concerned, mainly, manufacturing industries (4.4%), notably mechanical and electrical industries, textile, clothing, leather, footwear and miscellaneous industries. By contrast, production continued to drop sharply in chemical industries (-17.5%), as well as mining (-56.7%) and energy (-4.9%) sectors.

**Over the first four months of 2011**, the rate of regress of industrial production general index was reduced to 6.2% against a 8.6% drop a month ago and a 8.4% increase over the same period of the previous year, due to the negative effects of the events that have taken place in the country since last mid-January. The drop concerned **manufacturing industries** (-3.9% vs. 10.6% a year earlier) as well as **mining** (-56.9% vs. -3.9%) and **energy** (-9.2% vs -0.1%).

**Manufacturing industries production**, particularly that of chemical industries was seriously hit (-36.5% against a 22.1% progress a year earlier), more precisely phosphate by-products, due to stoppage of the transformation activity and difficulties in supplying crude phosphate. Hence, the sector didn't benefit from the considerable increase in prices on the international market. Also, production regressed in building materials, ceramics and glass materials (-7.1% against 7.2% the previous year) and food industries (-3.4% vs. 0.6%) On the opposite, there was slight increase in mechanical and electrical industries (0.8% vs. 25.7% in 2010) and in textile, clothing, leather and footwear sectors (0.1% vs. 4.9%), a trend that shows a progressive recovery following firming up of external demand.

As for the **mining sector**, the drop in production is attributable mainly to the regress in phosphate production by about 73% as of May 2011, coming in at 865 thousand tonnes, due to stoppage of production, processing and transport activities following the strikes and troubles which took place in Gafsa's mining basin. Regress in energy production is attributable to considerable recession in crude oil production and ongoing stoppage of oil refining activity.

**Exports of manufacturing industries** went up at the end of the first half of 2011, notably for mechanical and electrical industries (22.3% vs. 39%), textile, clothing, leather and footwear (12% vs. 5.9%) which took advantage of rebounding external demand. On the opposite, exports of phosphate by-products and other manufacturing industries dropped.

As for the **energy sector**, the trade deficit continued to worsen reaching about 386 MTD as of June 2011, against some 191 MTD during the same period of the previous year due to increasing imports at a more rapid pace than that of exports : 21.1% and 11.5% respectively.

**Imports of raw materials and semi-finished products** registered, during the same period, a significant slowdown in their progress (9.3% compared to 30.2% last year) while **imports of capital goods** went down by 11.9% against 33.2% a year earlier.

### 3) TOURISM

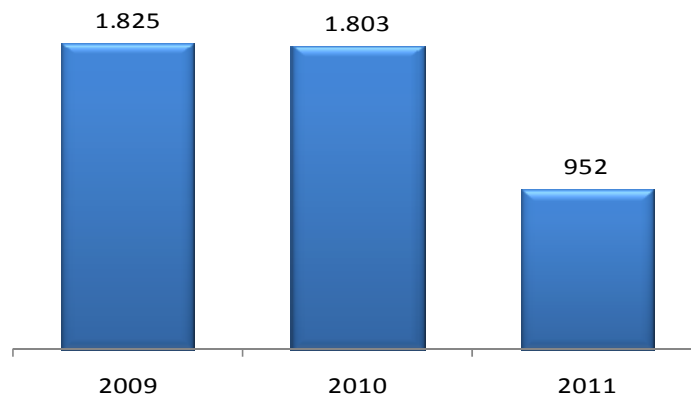
Main tourist indicators continued to drop during June 2011, notably at the level of foreign tourist entries (-31.3% in annual shift compared to -2.2% for the same month of 2010) and global tourist bednights (-76.1% vs. 4.6%) as well as tourist receipts in foreign currencies (-49.9% vs. 1.9%).

**Foreign tourist entries** dropped, during the first half of the current year, by 39.2% compared to -2% during the same period of the previous year, coming to about 1.8 million tourists. This regress concerned most nationalities, particularly traditional customers such as **the Italians** (-67% vs. -11.9% a year earlier), **the Germans** (-55.6% vs. -7.3%), **the French** (-50.2% vs. -1.1%), **the English** (-41% vs. 25.2%), **The Libyans** (-38.3% vs. -6.6%) and **the Algerians** (-33.2% vs. 14.2%).

**Global bednights** went down, during the same period, by 53.1% against a 5.2% drop last year, posting some 6 million units. This decline concerned all tourist zones, notably those of Sousse (-64.5%), Nabeul-Hammamet (-55.5%) and Djerba-Zarzis (-51.9%). **The occupancy rate** decreased from 38% to 18.5% from a period to another.

**Tourist receipts in foreign currency** decreased considerably as of July 2011 : -47,2% compared to -1.2% during the same period of the previous year, posting some 952 TMD.

**TREND IN TOURIST RECEIPTS IN FOREIGN CURRENCY  
OVER THE FIRST SEVEN MONTHS OF THE YEAR (IN MTD)**



### 4) TREND IN PRICES

**The general index of household consumer prices** (base 100 in 2005) went up by 0.4% in June 2011 compared to 0.3% a month earlier : the same rise as in June of the previous year, due notably to higher prices of clothing and footwear (0.8%) and of food and beverages (0.6%).

**Prices annual shift** was maintained, in June 2011 for the second month in a row, at 3.1% compared to 4.6% over the same month of 2010. Prices slowdown is mainly attributable to foodstuffs and beverages (3.1% compared to 7.4% in June 2010), notably agricultural products (4.1% vs. 9.2%). **Excluding agricultural products**, prices increased at the same pace of the previous year (3.1%) despite the faster growth of services prices (3% vs. 2.6%), especially rent for habitation (4.7% vs. 4.2%) following growing demand during the last period.

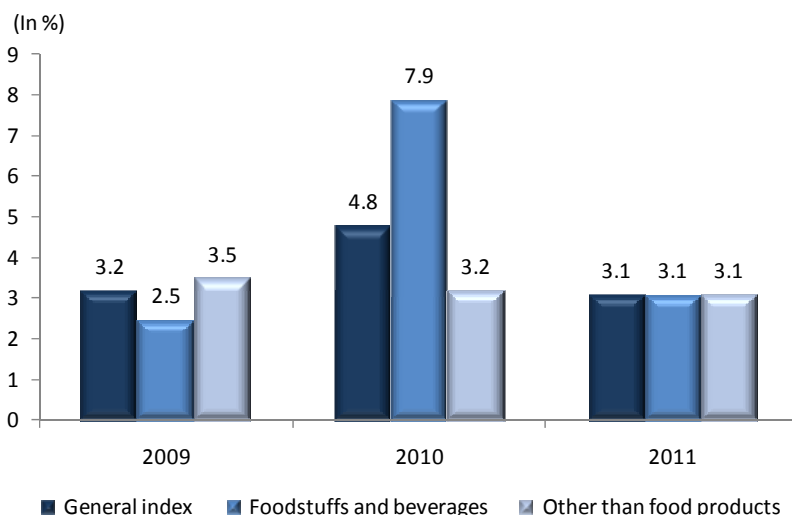
**In terms of monthly averages**, the inflation rate stood, over the first half of 2011 and for the fourth month in a row, at 3.1% compared to 4.8% during the same period in 2010. This trend is notably attributable to lower prices of **food products and beverages** (3.1% vs. 7.9% as of June 2010), such as vegetables (1% vs. 7.1%), dairy products and eggs (0.3% vs. 3.6%) sugar and candy (3.5% vs. 21.5%), food oil (4.7% vs. 8.8%), fruits and dry fruits (4.9% vs. 13.6%), as well as **tobacco** (0.8% vs. 8.7%) and **tuition fees** (1.7% vs. 6.2%).

**Excluding food and beverages**, the inflation rate came to 3.1%, at end June 2011, compared to 3.2% during the same period of the previous year. **Excluding foodstuff and energy**, the level of inflation has virtually stagnated (3.5% vs. 3.4% at end June 2010).

**By regime of price fixing, freely set product** prices went up at a slower pace than a year earlier (3.9% on average vs. 5.7% as of June 2010), notably, foodstuff (4.3% vs. 8.6%). **Controlled product** prices posted almost the same trend (1.4% vs. 2.8% the previous year), in line with a drop in the prices of **foodstuff** (-2.2% vs. 5.3%) following certain prices reduction last January.

The inflation rate is expected to reach some 3.6% for the whole year 2011 vs. 4.4% in 2010.

**TREND IN THE INFLATION RATE  
IN THE FIRST HALF OF THE YEAR  
(Consumer price index base 100 in 2005)**



# FINANCIAL SYSTEM SITUATION

## Further tightening of bank liquidity over the second quarter of 2011 and slower growth pace in M3 money supply during the first half of the same year

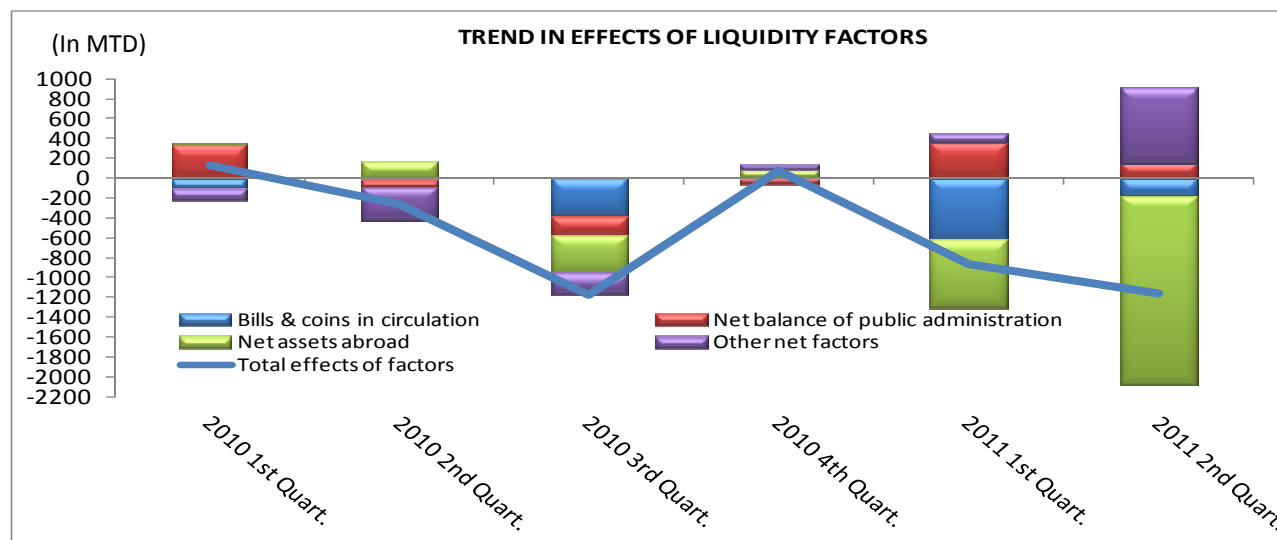
### 1) BANK LIQUIDITY AND REFINANCING OF THE FINANCIAL SYSTEM<sup>1</sup>

#### 1-1. BANK LIQUIDITY

Bank liquidity tightening, which was substantially boosted in the first quarter of 2011, further firmed up in the following quarter marked by restrictive effects exerted by net assets on abroad and to a lesser degree, bills and coins in circulation.

Decreasing from 9,580 MTD to 7,687 MTD during the second quarter of 2011, **net assets on abroad** went down by 1,893 MTD, in average, in the wake, notably, of the substantial drop in net assets in foreign currency (-1,840 MTD), strongly affected by deterioration of the current balance in line with of worsening trade deficit and lower tourist receipts and work remittances following the events that have taken place in the country since the beginning of the current year on one hand, and the sharp drop of foreign investments (with respect to giving up of large-scale projects) combined to reimbursement of external debt maturities, particularly, the debenture loan contracted in 2004 on the European financial market for an amount of 450 million euros, on the other hand.

**Bills and coins in circulation** which increased by 187 MTD during the period under review posting 6,515 MTD, gave rise to a bank liquidity tightening by the same amount as bank treasury. Their level fluctuated between a minimum of 6,419 MTD and a maximum of 6,649 MTD, and particularly firmed up at the end of June, reflecting the usual behaviour of households as summer approaches.



<sup>1</sup> Statistical data are presented in terms of quarterly averages.

On the other hand, **the net balance of public administration** rose by 159 MTD from one quarter to another, reflecting the 161 MTD decline in the account “Tunisian Government, miscellaneous accounts” following the transfer of 187 TMD made from this account to the Treasury current account in April arising from the sale of the authorization of land and mobile telephony to Orange Telecom operator.

Likewise, the heading “other net factors” went down by 754 MTD during the quarter under review, strongly affected by the 518 MTD drop of the heading “Credits pending appointment”, following transfer, to the treasury current account, of the state share in Central Bank profits.

#### TREND IN FACTORS OF BANK LIQUIDITY

(Daily averages in MTD)

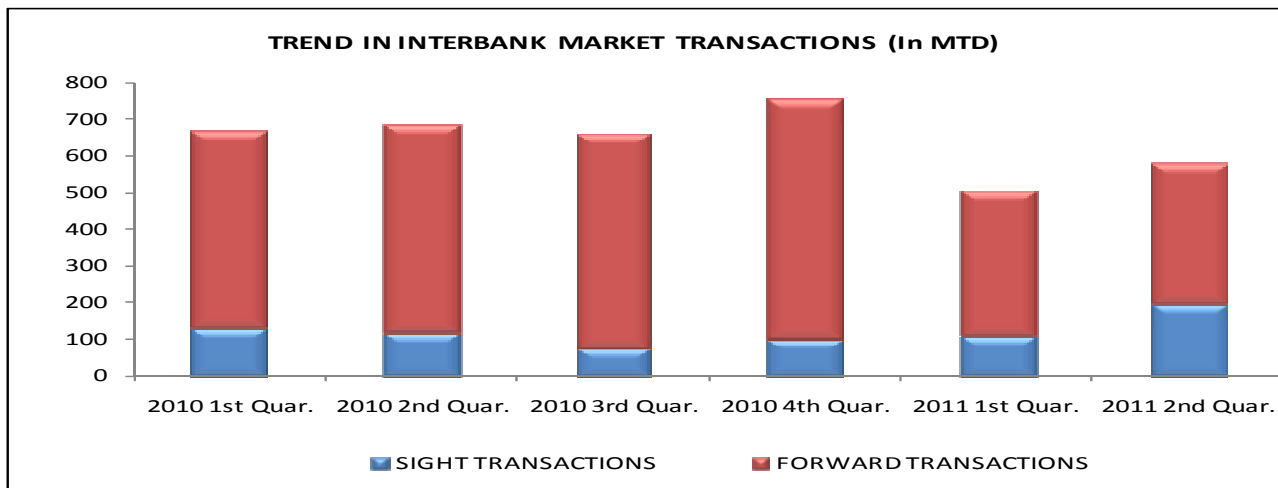
DESCRIPTION	1 <sup>st</sup> Quarter 2011	2 <sup>nd</sup> Quarter 2011	VARIATION 2 <sup>nd</sup> Quarter 2011 1 <sup>st</sup> Quarter 2011 (1)
<b>BILLS &amp; COINS IN CIRCULATION</b>	-6,328	-6,515	-187
<b>NET BALANCE OF PUBLIC ADMINISTRATION</b>	-32	127	+159
<i>OF WHICH : TREASURY CURRENT ACCOUNT BALANCE</i>	-465	-466	-1
<b>NET ASSETS ABROAD</b>	9,580	7,687	-1,893
<i>OF WHICH : NET ASSETS IN FOREIGN CURRENCY</i>	12,418	10,578	-1,840
<b>OTHER NET FACTORS</b>	-3,640	-2,886	+754
<b>= (A) TOTAL AUTONOMOUS FACTORS</b>	<b>-420</b>	<b>-1,587</b>	<b>-1,167</b>
CALLS FOR BIDS	1,339	1,893	+554
1 TO 7-DAY ALLOWANCE UPTAKE	0	0	0
PAWN OF 3-MONTH TREASURY BONDS	468	248	-220
NET TAPPING OPERATIONS	0	0	0
OPEN MARKET OPERATIONS	26	26	0
PURCHASE AGREEMENT	0	0	0
24-HOUR DEPOSIT STANDING FACILITIES	-23	-34	-11
24-HOUR CREDIT STANDING FACILITIES	59	15	-44
<b>= (B) TOTAL MONETARY POLICY OPERATIONS</b>	<b>1,869</b>	<b>2,148</b>	<b>+279</b>
<b>= (A)+(B) ASSETS IN BANKS' CURRENT ACCOUNTS</b>	<b>1,449</b>	<b>561</b>	<b>-888</b>

(1) The (-) sign indicates a restrictive effect and the (+) sign indicates an expansive effect.

Taking into account trends in the main autonomous factors of bank liquidity, **monetary policy operations** meant an average injection of 2,148 MTD in the second quarter of 2011 compared to 1,869 MTD over the previous quarter. Consequently, **assets in banks' current accounts** held at the Central Bank, which were affected by the two last decreases in reserve requirement rates decided pursuant to the provisions of Central Bank circulars to banks n°2011-3 of 1 April 2011 and n°2011-7 of 26 May 2011, dropped by 888 MTD, coming in at 561 MTD.

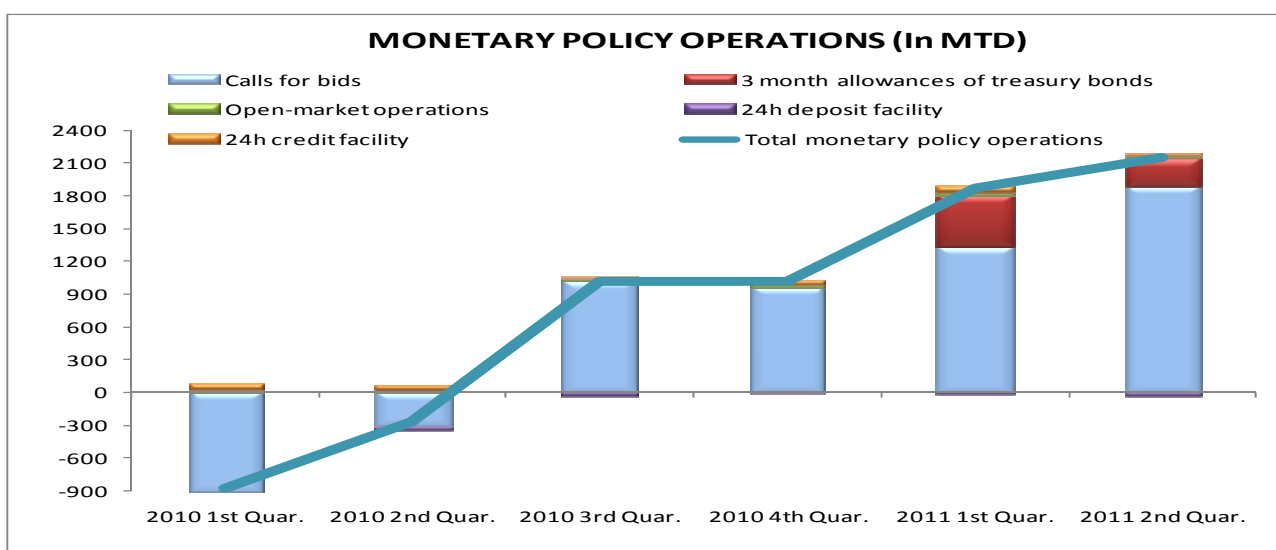
## 1-2. MONETARY POLICY OPERATIONS

The increase in the demand of banks posting deficits (+328 TMD) at a more sustained pace than that of the supply of banks posting a surplus (+50 MTD) meant a 278 MTD increase in banks' need for liquidity over the second quarter of 2011.



On the **interbank market**, transactions went up by 76 MTD, coming in at 579 MTD. Their trend reflected the increase by 86 MTD of sight transactions, forward transactions rather dropped by 10 MTD. Worth of note, in this respect, that forward transactions continue to dominate with a 66.5% share of the total compared to 78% in the previous quarter.

In the framework of its monetary policy operations, Issuing Institute focused its interventions, over the considered period, mainly, on **positive calls for bids** which accounted for an average package of 1,839 MTD vs. 1,339 MTD in the previous quarter. These interventions were completed by a pawn of three-month Treasury bonds worth 210 MTD, starting from 11 April, giving rise to an average package of 249 MTD over the considered period.



Banks asked for **24-hour standing credit facility** for amounts varying from 3 MTD to 209 MTD. Certain banks resorted, at the end of the month, to the Issuing Institute to place their liquidity surplus through **24-hour standing deposit facility** for amounts varying from 34 MTD to 304 MTD.

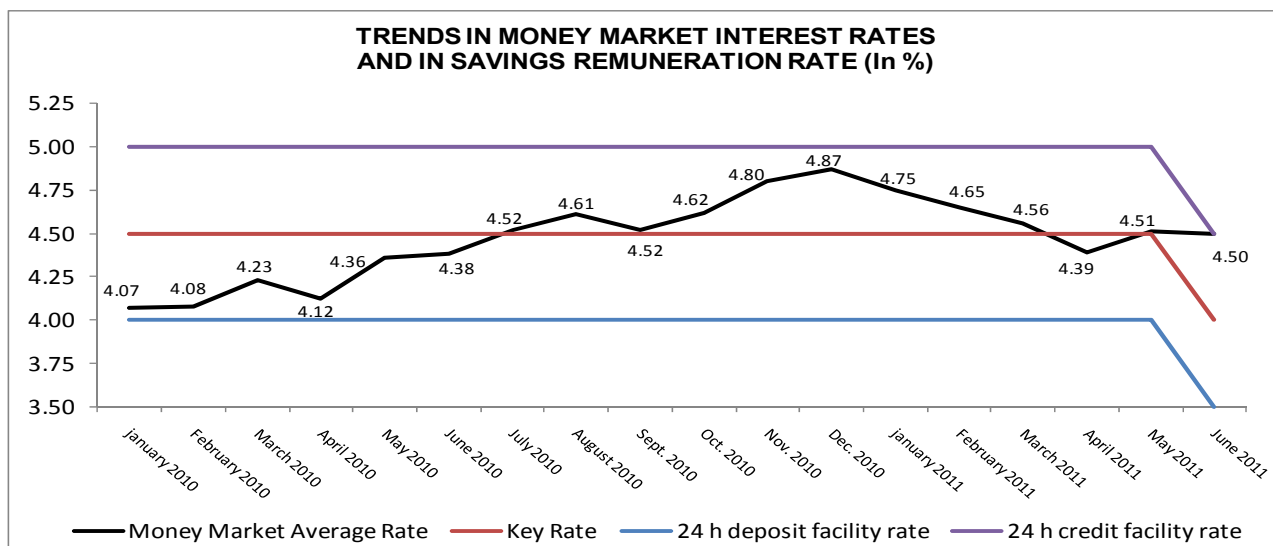
**Open-market operations'** outstanding balance was maintained at 26 MTD throughout the quarter.

**Day-to-day weighted interest rate on the money market** fluctuated between 3.54% and 4.81%. The Central Bank Executive Board which met on 29 June 2011 decided to lower the key rate of the Issuing

Institute by 50 base points, reducing it from 4.50% to 4%. Thus, money market average rates (TMM) came to 4.39%, 4.51% and 4.50% respectively, in April, May and June 2011.

The interest rate applied to the last pawn of three-month Treasury bonds was 4.58% while 24-hour standing credit and deposit facilities which make up the bottom and ceiling for market rate corridor were affected by the drop in the key rate, posting 3.5% and 4.5% respectively.

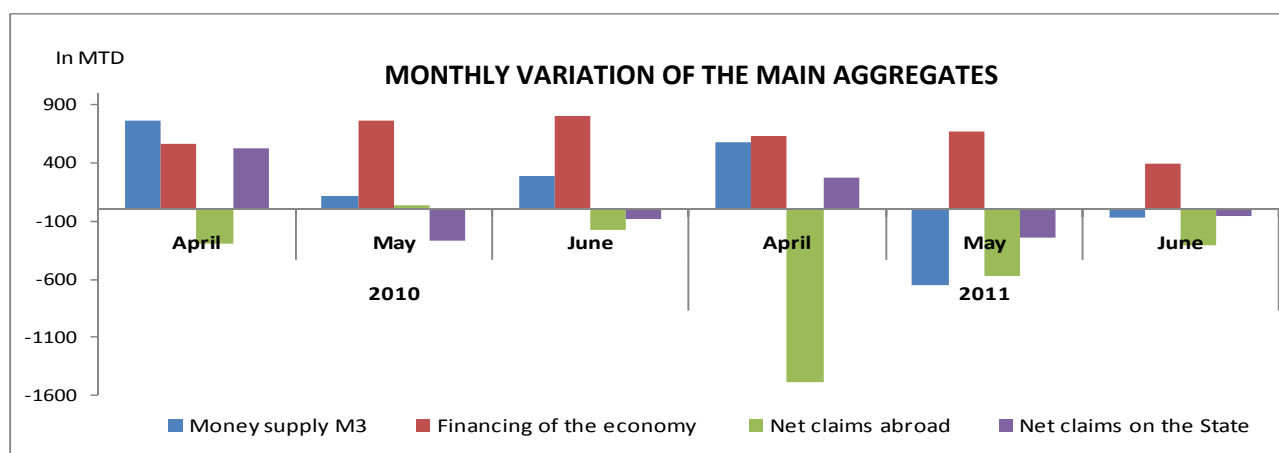
The savings remuneration rate (SRR) came to 2.80% in April 2011 then to 2.40% starting from May.



## 2) TREND IN FINANCIAL SYSTEM RESOURCES AND THEIR COUNTERPARTS

### 2-1. TREND IN FINANCIAL SYSTEM RESOURCES

The first half of 2011 was marked by a slower growth pace in M3 : 2.9% vs. 4.7% a year earlier. This slowdown was due to the sharp drop in net claims on abroad (-38.4% vs. -6.6%) and the increase in financing of the economy at a marked pace though still below the trend posted in 2010 (+8% vs. +10%). On the other hand, net claims on the State recovered (+11.1% vs. -0.7%).



## TREND IN FINANCIAL SYSTEM RESOURCES AND THEIR COUNTERPARTS\*

(Figures at end of period in MTD)

DESCRIPTION	JUNE 2011*	VARIATION IN% UNLESS OTHERWISE INDICATED	
		<u>JUNE 2011</u> DEC. 2010	<u>JUNE 2010</u> DEC. 2009
<b>M4 AGGREGATE</b>	44,778	3.0	4.5
<b>MONEY SUPPLY (M3)</b>	44,512	2.9	4.7
<b>MONEY SUPPLY (M2)</b>	41,973	2.8	4.7
<b>MONEY (M1)</b>	17,475	10.3	5.1
<b>QUASI-MONEY</b>	24,498	-2.0	4.4
<b>M3 – M2</b>	2,539	4.5	4.3
<b>M4 – M3</b>	266	23.1	-34.1
<b>OTHER RESOURCES</b>	14,770	-4.2	8.7
<b>TOTAL RESOURCES=TOTAL COUNTERPARTS</b>	59,548	1.1	5.6
<b>NET CLAIMS ON ABROAD**</b>	5,632	-3,517	-636
<b>DOMESTIC LOANS</b>	53,916	8.4	8.3
<b>NET CLAIMS ON THE STATE**</b>	7,298	729	-47
<i>OF WHICH : - TREASURY BONDS**</i>	2,554	112	-80
<i>- TREASURY CURRENT ACCOUNT**</i>	331	-274	46
<b>FINANCING TO THE ECONOMY</b>	46,618	8	10.0
<i>OF WHICH : LOANS TO THE ECONOMY</i>	44,099	7.9	10.3

\* Provisional data for 2011

\*\* For these aggregates, variations are expressed in MTD.

As for M3 main components, disparate trends were registered. In fact, over the first half of 2011, there was a firming up of M1 growth pace which has almost doubled (+10.3% vs. +5.1%). This trend is attributable, basically, to the exceptional progress of bills and coins in circulation (+14.8% or +859 MTD compared to +3.1% or +162 MTD) following the significant increase noticed in January (+650 MTD accounting for 76% of global variation). Quasi-money registered a decline during the same period (-2% vs. +4.4%) reflecting, notably, that of forward deposits and other financial products (-11.3% vs. +3.8%) in line with recourse of economic agents to quasi-monetary deposits to meet their need in liquidity.

## 2-2. TREND IN FINANCIAL SYSTEM COUNTERPARTS

Net claims on abroad registered a sharp decrease during the period under review (-38.4% or -3,517 MTD vs. -6.6% or -636 MTD), reflecting a drop in net assets in foreign currency which totalled 9,923 MTD at end of June 2011 : the equivalent of 110 days of imports compared to 12,774 MTD and 155 days respectively, the previous year.

On the other hand, net claims on the State recovered significantly over the first half of 2011 : (+729 MTD vs. -47MTD), in the wake of both the drop in the Treasury current account (-274 MTD vs. +46 MTD) and the increase in deposit counterparts at the postal Cheque Centre (+322 MTD vs. -17 MTD) and banks' outstanding balance of portfolio treasury bonds (+112 MTD vs. -80 MTD).

Loans to the economy went up, over the first half of 2011, at a sustained pace though less than the one registered during the same period of 2010 (+8% or +3,435 MTD compared +10% or 3,612 MTD).

According to the risks unit statistics and the loans to individuals file and excluding guarantees and endorsements, the increase in loans granted over the first five months of 2011 went to the services sector (+1,258 MTD), particularly transports and communications (657 MTD) then the industrial sector (+761 MTD), agriculture and fishing (68 MTD). Loans granted to individuals went up by 599 MTD.

# CAPITAL MARKET

## Slight recovery of stock market activity contrasting with the weakness of businesses issues on the primary market

The major events recorded on the capital market over the first quarter of 2011 consisted in :

- Ongoing downward trend in TUNINDEX index, although at a slower pace compared to the previous quarter along with a decrease in issues on the primary market which stood at a very low level ;
- Admission of "TELNET HOLDING" shares on the main market of the Stock quotation through public call for bids at a firm price and start up of quotation of these shares on 23 May 2011 at the price of 5.8 dinars the share, with a nominal value of 1 dinar ;
- Return of quotation on STIP shares starting from 20 June 2011 suspended since 8 September 2010 due to the aforesaid company's non-compliance with commitments of conveying periodical and occasional financial information ;
- Opening of public subscriptions in mixed FCP "FCP valeurs mixtes", "FCP SAFA" and "FCP optimum Epargne Actions" with an initial amount of 100 thousand dinars for each.

### 1) PRIMARY MARKET

The second quarter of 2011 was characterized by greater regularity of public issues, with a raised amount close to that displayed and a long-term financing strategy of the Treasury. These issues totaled 327 MTD, 290 MTD of which in the form of bonds equivalent to treasury bonds for the quarter under review. The accumulated package of issues, from the beginning of the year to end June 2011, came to 485 MTD : 74.6% of the amount for issues expected for six months.

#### STATE ISSUES

(In MTD)

DESCRIPTION	1 <sup>st</sup> Quarter 2011	2 <sup>nd</sup> Quarter 2011	1 <sup>st</sup> Half 2011
Bonds equivalent to Treasury bonds (BTA)	28	290	318
Short term Treasury bonds (BTCT)	130	37	167
<b>TOTAL</b>	<b>158</b>	<b>327</b>	<b>485</b>

Issues through public call for savings (PCS) were very weak and limited to 52 MTD with respect to the second quarter of 2011. They are related to the increase in TELNET HOLDING capital by 4.8 MTD in the framework of its listing and the two debenture loans issued by Tunisie leasing (30 MTD) and AIL (20 MTD). Worth of note is that this last borrowing was subscribed only up to 17.2 MTD.

#### CORPORATE ISSUES THROUGH PUBLIC CALL FOR SAVINGS

(In MTD)

DESCRIPTION	1 <sup>st</sup> Quarter 2011	2 <sup>nd</sup> Quarter 2011	1 <sup>st</sup> Half 2011
Capital securities	0	4.8	4.8
Claim securities	110	47.2	157.2
<b>Total amount of raised funds</b>	<b>110</b>	<b>52.0</b>	<b>162.0</b>

As for institutional savings, the number of operating OPCVM at end June 2011 reached 101 units, managing assets of 5,081 MTD, of which 4,567 MTD or 89.9% are held by bond units.

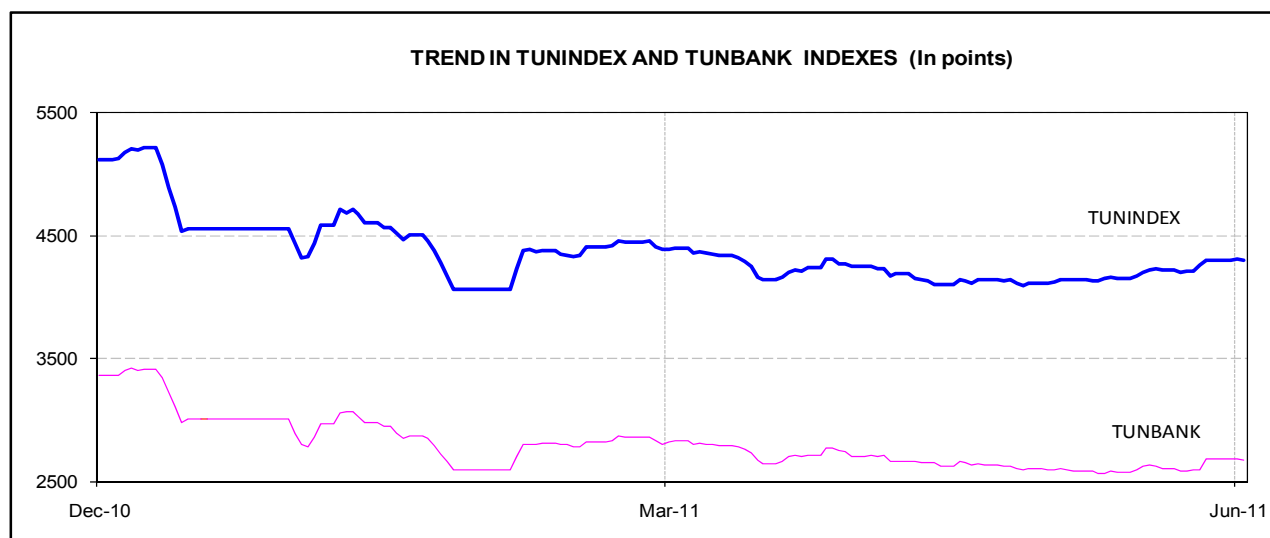
## OPCVM ACTIVITY

(In MTD unless otherwise indicated)

DESCRIPTION	2010			2011	
	MARCH	JUNE	DECEMBER	MARCH	JUNE
Number of operating units	93	93	97	98	101
Net assets	4.678	5.103	5.107	5.065	5.081

## 2) SECONDARY MARKET

On the secondary market, the second quarter of 2011 was marked by an ongoing downward trend in stock market indexes at a slower pace than the last quarter thanks, notably, to a recovery, in June 2011, by 4.3% of the index, posting 4,269.59 points at the end of the month and limiting losses with respect to the quarter under review to 2% posting a -16% yield since the beginning of 2011.



Sectoral indexes posted mitigated yields. The best quarterly yield was achieved by the index “building and building materials” (+9.1%) while the “Insurance” index registered the sharpest drop over the quarter (-6.5%) as the activity of companies working in this field was affected by the events that occurred in the country.

As for lending institutions sectoral indexes, the “financial services” index posted positive quarterly results : 7.8% while “TUNBANK” index declined by 5.2%, keeping in mind that the exposure of banks, notably public ones, to risks related to businesses and holdings connected with the former regime continues to weigh on market trends.

Transactions on the stock quotation totaled 296 MTD (of which 277 MTD on capital securities) in the second quarter of 2011 with a relatively sustained volume of transactions in May (127 MTD). However, the average daily volume of transactions regressed to 4.6 MTD compared to a 5.1 MTD daily average from the beginning of 2011.

### TREND IN THE VOLUME OF TRANSACTIONS

(In MTD)

DESCRIPTION	1 <sup>st</sup> Quarter 2011	2 <sup>nd</sup> Quarter 2011	1 <sup>st</sup> Half 2011
<b>Global volume of transactions</b>	<b>1,181</b>	<b>450</b>	<b>1,631</b>
Stock quotation	278	296	574
Off list	1	2	3
Registry operations	902	152	1.054

On the other hand, there was an ongoing downward trend on the stock market over the second quarter of 2011 in line with the drop in prices of 36 securities among the 57 quoted at rates varying between -0.4% (ASSAD) and -24%(STB) causing a decrease in stock capitalization by 0.7% from one quarter to another, coming in at 13,210 MTD as of June 2011 : 19.6% of provisional GDP for 2011. TELNET HOLDING share, recently listed posted a 44.8% yield compared to its admission quotation, closing for the quarter at 8,400 dinars.

Contrary to the previous quarter, there was no ongoing withdrawal of foreign investors from the stock market. Their intervention on the Board yielded a slightly negative balance of 0.5 MTD (27.3 MTD in acquisitions compared to 27.8 MTD in transfer) with a 20.16% share of stock capitalization : 2,663 MTD at end June 2011. It is worth mentioning that transfers concerned Tunisie leasing share, with a -10.3 MTD net flow over the quarter and a regress from 10.9% to 5.4% in foreign shareholding in the aforesaid company, from one quarter to another.

#### TREND IN STOCK INDICATORS

DESCRIPTION	2 0 1 0			2 0 1 1	
	MARCH	JUNE	DECEMBER	MARCH	JUNE
TUNINDEX in points (base 1,000 on 31/12/1997)	4,686.31	4,914.43	5,112.52	4,385.55	4,296.59
Stock capitalisation (in MTD)	13,363	14,370	15,282	13,302	13,210
Stock capitalisation / GDP (in %)	23.2	22.7	24.1	19.7	19.6
Average price earning ratio	15.6	16.8	15.6	13.4	14.1
Number of listed companies (in units)	52	54	56	56	57
Monthly liquidity rate (in %)	49	60	65	62	60
Foreign investment rate (in %)	22.28	20.78	20.16	21.08	20.16

# EXTERNAL PAYMENTS

## Important deficit of the general balance of payments following deterioration of the balance of financial operations and in capital

The general balance of payments yielded a deficit of 3,069 MTD in the first half of 2011 due to the sharp deterioration of the balance of financial operations and in capital while the current payments deficit only slightly increased compared to that of the same period the previous year.

The negative balance of the general balance of payments over the first quarter further dipped, then, over the second quarter, a period marked by the reimbursement of a debenture loan amounting to 450 million euros.

### TREND IN THE MAIN BALANCES OF THE BALANCE OF PAYMENTS

(In MTD)

DESCRIPTION	2010	FIRST HALF	
		2010	2011*
<b>1-CURRENT PAYMENTS</b>	<b>-3,012</b>	<b>-2,438</b>	<b>-2,498</b>
- MERCHANDISES (FOB)	-6,548	-3,575	-2,682
- SERVICES	3,521	1,242	511
- FACTOR INCOME AND CURRENT TRANSFERS	15	-105	-327
<b>2 - FINANCIAL OPERATIONS AND IN CAPITAL</b>	<b>2,615</b>	<b>1,854</b>	<b>-571</b>
- OPERATIONS IN CAPITAL	118	63	51
- FOREIGN INVESTMENT (DIRECT AND IN PORTFOLIO)	1,873	650	-176
- OTHER INVESTMENT <sup>1</sup>	624	1,141	-446
<b>3-ADJUSTMENT OPERATIONS (NET FLOWS)</b>	<b>123</b>	<b>-</b>	<b>-</b>
<b>GENERAL BALANCE</b>	<b>-274</b>	<b>-584</b>	<b>-3,069</b>

\* Provisional figures.

<sup>1</sup> This involves financial operations related to medium and long term loan-borrowing capital, to short term assets and liabilities as well as SDR allocations.

## 1) BALANCE OF CURRENT OPERATIONS

Over the first half of 2011, the balance of current operations yielded a 2,498 MTD deficit: the equivalent of 3.7% of GDP compared to 2,438 MTD and 3.8% a year earlier.

Contrary to the first quarter marked by a lightening of the current deficit, the second quarter registered a widening of this deficit because of strong tightening of the surplus of the balance of services and higher deficit of the balance of factors income and current transfers.

### 1-1. TRADE BALANCE

The trade balance yielded, over the first half of 2011, a 3,589 MTD deficit expressed FOB-CIF, registering a lightening by 854 MTD or by 19.2% compared to that yielded over the same period of 2010. As a result, the coverage rate grew by 6.4 percentage points to 78.3% following the increase in exports at a faster pace than that of imports : 13.8% and 4.5% respectively.

The increase in exports (up to 12,918 MTD) reflected growth in sales of all products excluding those of mining, phosphate and by-products which went down by 17.4%. The increase has particularly concerned such sectors as agriculture and agrofood industries (+35.1%) and mechanical and electrical industries (+22.2%). Worth of note is that the second quarter was characterized by faster growth in exports (+17% vs. +10.3% during the first quarter), a progress that concerned mainly agriculture and agrofood industries (+59% vs. +10.3%) energy (+17.7% vs. +4.4%) as well as textile and clothing (+17.7% vs. +6.3%). On the other hand, a slower growth was registered at the level of exports of mechanical and electrical industries (+19.5% vs. +25.5%) as well as leather and footwear (+11.5% vs. +13.3%).

Progress in imports, coming in at 16,507 MTD concerned all product groups except for capital goods (-12%). It is worth noting that during the second quarter, imports grew at a faster pace than that of the first quarter (+6.9% vs. +1.7%) in the wake of the increase in the value of purchases of energy products (+31.1% vs. 12.3%), commodities and semi-finished products (+15.1% vs. 2.5%). Imports of food products went down (+18.3% vs. 53.3%).

## 1-2. BALANCE OF SERVICES

Amounting to 511 MTD over the first half of 2011, the surplus of the balance of services dropped by 731 MTD compared to that of the same period in 2010. This decline is attributable to the regress of tourist receipts by 50.7% coming to 674 MTD, bearing in mind that global bednights and non resident entries dropped by 53.1% and 39.2% respectively.

Tightening of the surplus of the balance of services registered during the first quarter was further accentuated over the second quarter in line with a more considerable drop in tourist receipts during this quarter (-55.6% vs. -43% during the first quarter).

## 1-3. BALANCE OF FACTOR INCOME AND CURRENT TRANSFERS

The balance of factors income and current transfers yielded a 327 MTD deficit over the first half of 2011, registering a widening by 222 MTD, compared to that yielded during the same period of 2010. The drop in labour income by 7.1% (coming in at 1,198 MTD) was combined to a 5.9% increase in expenditure with respect to capital income.

## 2) BALANCE OF FINANCIAL OPERATIONS AND IN CAPITAL

The balance of financial operations and in capital deteriorated sharply over the first half of the current year, yielding a 571 MTD deficit compared to a surplus of 1,854 MTD a year earlier. The deterioration was further accentuated during the second half, a period marked by a considerable increase in payments with respect to reimbursements of medium and long term debt.

The main trends are as follows :

\* The balance of loan-borrowing yielded a 446 MTD deficit over the first half of 2011 against a surplus by 1,141 MTD a year earlier. This result is attributable, mainly, to higher reimbursements with respect to the principal of mid and long term debt, up by 813 MTD, coming in at 1,667 MTD following the reimbursement, in April 2011, of a 450 million euros (888 MTD),

\* The balance of foreign investment posted a 176 MTD deficit compared to a 650 MTD surplus a year earlier. The considerable increase in expenditure in this respect following the acquisition by non residents of shares in Tunisiana for 840 MTD (600 million US dollars) was combined to a 17.2% tightening in capital inflows in the form of foreign direct investment, coming to 775 MTD.

# TREND IN THE DINAR EXCHANGE RATE AND FOREIGN EXCHANGE MARKET ACTIVITY IN THE FIRST HALF OF 2011

## Depreciation of the Tunisian dinar against the euro and appreciation against the US dollar

### 1) TREND IN THE DINAR EXCHANGE RATE

Compared to end 2010 and up to end June 2011, the dinar exchange rate on the interbank market dropped by 3% against the euro and by 1.6% against the Moroccan dirham. However, the dinar appreciated by 5.2% against the US dollar and by 4% against the Japanese yen.

#### TREND IN THE USD/TND EXCHANGE RATE



As for average rates over the first half of 2011 compared to the same period last year, the dinar exchange rate depreciated by 8.6% against the Japanese yen, by 3.9% against the euro, 2.8% against the Moroccan dirham and appreciated by 1.9% compared to the US dollar.

#### TREND IN THE EUR/TND EXCHANGE RATE



## 2) TREND IN FOREIGN EXCHANGE MARKET ACTIVITY

### 2-1. SPOT MARKET

Transactions on the spot foreign exchange market came to 33,356 MTD in the first half of 2011, compared to 26,053 MTD in the same period of last year, up by 28%.

#### TREND IN SPOT EXCHANGE TRANSACTIONS

(In MTD)

DESCRIPTION	FIRST HALF 2010	FIRST HALF 2011	VARIATION IN MTD
CURRENCY AGAINST CURRENCY TRANSACTIONS	16,010	20,319	+4,309
CURRENCY AGAINST DINAR TRANSACTIONS	10,043	13,037	+2,994
<b>TOTAL</b>	<b>26,053</b>	<b>33,356</b>	<b>+7,303</b>

### 2-1.1. CURRENCY / DINAR TRANSACTIONS

Over the first half of 2011, currency/dinar transactions on the foreign exchange market reached 13,037 MTD vs. 10,043 MTD in the same period of 2010, up by 30%.

The share of currency/dinar transactions accounted for 39% of overall spot exchange transactions : the same level as that of the first half of 2010.

As for the share of interbank transactions, it came to 58% vs. 42% for the Central Bank.

The Intervention of the Central Bank was marked by a considerable increase of 100% due to the drop in tourist receipts and labour income. Likewise, transactions on the interbank market went up by 4% compared to their level of the previous year.

#### TREND IN SPOT EXCHANGE TRANSACTIONS OF CURRENCY AGAINST DINAR

(In MTD)

DESCRIPTION	FIRST HALF 2010	FIRST HALF 2011	VARIATION IN MTD
TRANSACTIONS WITH THE CENTRAL BANK OF TUNISIA	2,706	5,422	+2,716
INTERBANK MARKET	7,337	7,615	+278
<b>TOTAL</b>	<b>10,043</b>	<b>13,037</b>	<b>+2,994</b>

### 2-1.2. CURRENCY / CURRENCY TRANSACTIONS

The volume of currency/currency transactions reached 20,319 MTD over the first half of 2011, compared to 16,010 MTD during the same period in 2010, recording a growth rate of about 27%.

The share of these transactions in overall spot foreign exchange transactions was 61%. Transactions with foreign correspondents accounted for 89% of the global volume of foreign exchange.

#### TREND IN SPOT EXCHANGE TRANSACTIONS FROM ONE FOREIGN CURRENCY TO ANOTHER

(In MTD)

DESCRIPTION	FIRST HALF 2010	FIRST HALF 2011	VARIATION IN MTD
INTERBANK MARKET	1,320	2,183	+863
TRANSACTIONS WITH FOREIGN CORRESPONDENTS	14,690	18,136	+3,446
<b>TOTAL</b>	<b>16,010</b>	<b>20,319</b>	<b>+4,309</b>

## 2-2. FORWARD MARKET

The volume of forward foreign exchange transactions reached 4,033 MTD in the first half of 2011, compared to 2,752 MTD in the same period of 2010, up by 47%. The share of transactions in coverage of imports in the volume carried out between banks and businesses came to 71% compared to 29% for those in coverage of exports.

Transactions related to hedging the foreign exchange risk incurred by importers by importers were mainly denominated in US dollar (61%) and in euro (37%).

As for transactions related to hedging the foreign exchange risk of exports, the share of operations denominated in US dollar reached 52% vs. 48% for the euro.

### TREND IN FORWARD EXCHANGE TRANSACTIONS

(In MTD)

DESCRIPTION	FIRST HALF 2010	FIRST HALF 2011	VARIATION IN MTD
BETWEEN BANKS & BUSINESSES	2,699	3,463	+764
INTERBANK MARKET	53	570	+517
<b>TOTAL</b>	<b>2,752</b>	<b>4,033</b>	<b>+1,281</b>

# NEW REGULATING PROVISIONS

## 1) CONDUCT OF MONETARY POLICY : LOWERING THE KEY RATE OF THE BCT

In considering with the progressive recovery of economic activity and the ongoing stability of the inflation rate, and with a view to supporting the improvement of the economic situation, the BCT Executive Board held on 29 June 2011 decided to lower the key rate of the Bank by 50 base points, down from 4.5% to 4%. It is worth noting that this rate hasn't been modified since 17 February 2009, when it was lowered from 5.25% to 4.5%. Consequently, the corridor where the minimum and the maximum are delimited by the rate of permanent deposit facility and that of permanent credit facility is henceforth comprised between 3.5% and 4.5% compared to 4% and 5% before. This easing of BCT monetary policy should make additional resources available to productive sectors for investment financing by lightening its cost.

*(Cf. Decision of BCT executive Board held on 29 June 2011)*

## 2) ECONOMIC SITUATION-RELATED MEASURES TO SUPPORT THE ECONOMY

### 2-1. EXTENDING ECONOMIC SITUATION-RELATED SUPPORTING MEASURES TO BUSINESSES BELONGING TO OTHER ECONOMIC SECTORS

Following January 2011 prevailing events in Tunisia, bringing about a situation of insecurity and economic and social disorder, and following the example of what has been taken as economic situation-related supporting measures in favour of economic businesses operating in the industrial sector as well as certain service activities, economic businesses operating in the transport and equipment sectors, commercial businesses and those of related services and small trades, other similar measures have been adopted to support tourist establishments as well as people operating in the agriculture and fishing sector in order to allow them to pursue their activities in such a context (Cf. New regulating provisions of BCT Economic situation periodicals n°90 and 91)

*(Cf. Decrees-laws n°2011-37 of 14 May 2011 published in JORT n°35 of 17 May 2011 and n°2011-53 of 8 June 2011 published in JORT n°42 of 10 June 2011)*

### 2-2. DESIGNATION OF MEMBERS OF THE CONSULTATIVE COMMITTEE IN CHARGE OF GRANTING ELIGIBILITY TO ECONOMIC SITUATION-RELATED MEASURES

In application of articles 10 and 11 of decree n°2011-301 fixing modalities, procedures and application conditions of the new measures allowing businesses eligible to provisions of decree-law n°2011-9 related to economic situation-related supporting measures in favour of economic businesses operating in the industrial sector as well as certain service activities, the eight members who make up the consultative committee created within the Ministry in charge of industry, have been designated.

It is worth recalling that this structure is presided over by the Minister in charge of industry and is mainly in charge of giving its opinion on files conveyed to it with respect to supporting the above-mentioned businesses.

*(Cf. By-law of the Minister of Industry and Technology of 6 June 2011 published in the JORT n°42 of 10 June 2011)*

## 2-3. INDEMNIFICATION OF DAMAGES CAUSED BY TROUBLES

Following the popular upheaval set out since the end of 2010 calling for the right to freedom and dignity and meaning the appearance of important human and material losses in different regions of the country, it has been decided to create a mechanism that allows indemnifying disaster victims who need to meet a certain number of conditions.

An indemnification is granted either with respect to injuries caused to individuals leading to death or other corporal damages starting from 17 December 2010, or with respect to direct material damages affecting the premises intended to the activity of economic businesses following acts of fire, destruction or looting over the period from 17 December 2010 to 28 February 2011.

Public businesses and institutions, big department stores, car dealers, financial institutions and communication network operators are not eligible to this mechanism.

Hence, businesses eligible to indemnifications are classified as follows :

- **Small businesses** : are those operating in the agriculture and fishing sector under the "A" category in the meaning of the Investment Incentive Code and those operating in other sectors and eligible to this mechanism and having either an annual turnover not exceeding thirty thousand dinars or that have been created during the first two months of 2011 and the investment amount of which does not exceed one hundred thousand dinars ;
- **Medium and big sized businesses** : are those which operate in the agriculture and fishing sector under the "B" and "C" categories in the meaning of Investment Incentive Code and which operate in other sectors and are eligible to this mechanism and which either have an annual turnover that exceeds thirty thousand dinars or have been created during the first two months of 2011 and whose investment amount exceeds one hundred thousand dinars.

It is worth noting that the turnover to be taken into consideration so that businesses in different sectors, excluding the agriculture and fishing sector, benefit from the indemnification subject of this new regulation, is the one that constitutes the subject of the last annual declaration of income tax for individuals or corporate tax for businesses and whose date of submission expired starting from the entering into force of this regulation.

The amount of indemnifications to be granted to economic businesses with respect to the reparation of damages undergone by their premises in the wake of acts of fire, destruction or looting and is set as follows :

- total coverage of the assessed value of direct material damages up to a limit not exceeding 10 thousand dinars for each small businesses ;
- coverage, up to 40%, of the assessed value of direct material damages up to a limit not exceeding 500 thousand dinars for each medium and big sized business that has not subscribed to insurance contracts covering these risks ;
- additional coverage to granted indemnities within the framework of insurance contracts up to 50% of the assessed value of direct material damages calculated on the basis of the amount of indemnities granted by insurance companies without exceeding 500 thousand dinars for each medium and big sized business.

As for financing, indemnifications with respect to direct material damages undergone following acts of fire, destruction or looting in line with the popular upheavals experienced by the country from 17 December 2010 to 28 February 2011, as well as indemnifications with respect to direct material damages affecting the premises intended to the activity of medium and big sized businesses are borne by the Guarantee Fund of policy holders.

Indemnifications with respect to injuries brought about to individuals, causing their death or other corporal damages, as well as indemnifications with respect to direct material damages affecting the premises intended to small businesses activity are borne by the State budget.

It is worth mentioning that the allotment of these indemnifications depends on the working out of expertise reports elaborated by competent experts pursuant to the regulations into force. Fees and costs of these expertise reports, which are required either by public authorities or by the Guarantee Fund of policy holders, are borne by the State budget when it comes to small businesses and by the Guarantee Fund of policy holders when it comes to medium and big sized businesses.

These indemnifications can be paid back by economic businesses benefiting from the afore-said indemnifications with payment of delay penalties in case these businesses do not repair the concerned damages within a deadline not exceeding 3 months starting from the date of releasing the indemnifications or in case the subject of these indemnifications has been misappropriated.

*(Cf. Decree-law n°2011-40 of 19 May 2011 published in JORT n°36 of 20 May 2011)*

## **2-4 WIDENING OF THE LIST OF TECHNICAL RESERVES CONSTITUTED BY INSURANCE COMPANIES**

In order to reinforce insurance companies' financial soundness, and, consequently, allow them to rationalize their financial abilities in exceptional claims periods, it has been decided to widen the technical reserves list made up by these companies with respect to the equalization reserve, including, besides the hail risk provided for by the regulation into force, other insurance categories in case they face exceptional claims.

It is worth noting that this new measure is provided for by the financial statements related to fiscal years starting 1 January 2010 with a view not to notably affecting the 2011 technical results of insurance companies.

*(Cf. By-law of the Minister of Finances of 6 June 2011 published in JORT n°42 of 10 June 2011)*

## **3) MEASURES RELATED TO THE SOLIDARITY FUND**

### **3-1. MODIFICATION OF THE ADMINISTRATIVE POWER ON THE NATIONAL FUND OF SOLIDARITY (NFS)**

Given the wide scope of corruption and malpractice affairs unveiled in Tunisia after 14 January 2011, particularly those carried out by the former president of the Republic hitting even the State's special funds such as the NSF, it has been decided to modify the administrative supervision of the aforesaid fund which used to be within the competence of the president of the republic, assigning it henceforth, to the Ministry in charge of social affairs.

In fact, the latter is the only one entitled to decide as regards the financing of different interventions assigned to the fund in favour of low-income social categories and agglomerations deprived of minimum basic infrastructure and which are not concerned by the ordinary programmes and projects of the State and local entities.

Worth of note is that donations are to be directly paid in at the departments of this Fund and not to relevant departments of the Presidency of the Republic as it was required in the past.

*(Cf. Decree-law n°2011-55 of 9 June 2011 published in JORT n°43 of 14 June 2011)*

### **3-2. DESIGNATION OF THE CITIZENSHIP FUND 111 MANAGEMENT COMMITTEE MEMBERS**

Pursuant to the provisions of article 3 and following decree-law n° 2011-12 creating the "Citizenship Fund" and setting its operating modalities, the independent persons known for their competence, integrity and action in social and regional development and making up the four out of the five members of the committee managing this fund's resources, have been designated.

The said fund has been created for the collection of donations from any individual or business with a view to using them in projects of general interest. The citizenship fund management committee is mainly in charge of the allocation of the Fund's resources onto these projects.

*(Cf. Decree n°2011-658 of 31 may 2011 published in JORT n°41 of 7 June 2011)*

### **4) MODALITIES AND CONDITIONS OF GRANTING AND WITHDRAWING THE LICENCE DELIVERED TO PRIVATE EXPORTERS OF OLIVE OIL IN THE FRAMEWORK OF THE QUOTA AUTHORIZED BY THE EUROPEAN UNION**

Exporters enrolled on the olive oil private exporters list wishing to export olive oil within the framework of the quota granted to Tunisia by the European Union with respect to 2011 are called upon to obtain the authorization of the Ministry of Agriculture and Environment for the period 1 May-31 October 2011.

The authorization application should be submitted by these exporters at the General Department of Studies and Agricultural Development of this Ministry by 31 October 2011 at the latest. This authorization is delivered by the above-mentioned ministry for a non renewable period of two months following advice by a commission.

The said commission, which is presided over by the Minister of Agriculture and Environment or his representative, is made up of eight other members designated by decision of the Minister upon proposal by relevant parties representing different ministerial departments, associations and professional organizations.

The main missions that fall under this commission are the following :

- consider and express an opinion on the applications submitted by private exporters to export ;
- propose the granting of export licenses of Tunisian olive oil ;
- express an opinion on the breakdown of monthly quantities between different operators in conformity with the regulation into force in the European Union, on the one hand, and according to the season's national availabilities and market needs on the other hand, and
- propose to ban exporting or to cancel the exporter's name from the list of exporters who are authorized to export Tunisian olive oil.

Monthly quantities are assigned to private exporters according to the chronological order of the registration of their applications for the ministry of Agriculture and Environment, the quality of oil while giving the priority to biological olive oil and pre-packaged olive oil, price at export and the volume of exports achieved over the two last years.

The said commission can fix a ceiling to any exporter intending to export olive oil in bulk in the framework of the quota during each month, in case applications exceed the relevant monthly quota.

Apart from the ordinary control of quality at the time of export, the quantities of Tunisian olive oil in bulk exported within the framework of the above-mentioned quota are systematically subject to a second

quality control at the time of loading and tests costs arising from the control operation are borne by exporters.

When private exporters, authorized to export olive oil do not comply with the provisions governing this issue, the Minister of Agriculture and Environment can, after hearing the opinion of the above-mentioned commission, decide the final withdrawal of the olive oil export authorization.

*(Cf. Decree n°2011-637 of 25 May 2011 published in JORT n°39 of 31 May 2011)*

## **5) INVESTMENT PROMOTION WITHIN THE FRAMEWORK OF INFRASTRUCTURE PROJECTS AND COMMON FACILITIES AND EQUIPMENT ELIGIBLE TO INCENTIVES WITH RESPECT TO REGIONAL DEVELOPMENT**

In order to promote investments carried out in the framework of infrastructure projects and common facilities and equipment eligible to incentives with respect to regional developments, ceilings of investment premiums granted to investments carried out in manufacturing industries and services activities as well as those carried out by businesses operating in the handicraft sector employing ten persons and more as provided for in decree n°94-539, have been modified. Hence, the investment premium, henceforth calculated taking into account the working capital, was set at :

- 8% of the investment cost, the amount of this premium must not exceed 500 thousand dinars (vs. 320 thousand before), when businesses are situated in the first group of regional development zones provided for by annex 1 of decree n°99-483 of 1 March 1999,
- 15% of the investment cost, the amount of this premium must not exceed one million dinars (vs. 600 thousand before), when businesses are situated in the second group of regional development zones provided for by the above-mentioned decree,
- 25% of the investment cost, the amount of this premium must not exceed 1.5 million dinars (vs. one million), when businesses are situated in priority regional development zones provided for by the above-mentioned decree.

In case of investments achieved by new promoters, the projects of which are based in priority regional development zones and promoters of fishing projects in the northern zone from Bizerte to Tabarka and in the open sea, the plurality of premiums which can be granted should not exceed 30% of the investment cost including working capital, the amount of these premiums must not exceed 2 million dinars.

It is worth recalling that the plurality of these premiums does not take into consideration the State's share in the assumption of infrastructure works and financial aids granted with respect to intangible investments within the framework of businesses upgrading.

Concerning the premium's rate with respect to the State's share in infrastructure expenditure of investments carried out in manufacturing industries activities; it was raised up to 75% instead of 50% for investments based in the second group of regional development zones and to 85% instead of 75% for investments based in priority regional development zones.

Worth of note is that projects with attestations confirming submission of investment declaration prior to the date of entry into force of the provisions of law n°2007-69 regarding economic initiative and which will be effectively operational prior to 31 December 2011, continue to benefit from advantages provided for by article 24 of the investment Incentive Code, in conformity with regulatory texts into force and before starting the application of provisions of decree n°2008-389 modifying and completing the above-mentioned decree n°94-539.

*(Cf. Decree n°2011-528 of 9 May 2011 published in JORT n°34 of 13 May 2011)*

**MAIN ECONOMIC INDICATORS**

(In MTD unless otherwise indicated)

DESCRIPTION	FIRST HALF			VARIATION IN%	
	2009	2010	2011	<u>2010</u> <u>2009</u>	<u>2011</u> <u>2010</u>
<b>INDUSTRIAL PRODUCTION INDEX (BASE 100 IN 2000) (1)</b>	<b>120.3</b>	<b>130.4</b>	<b>122.3</b>	<b>8.4</b>	<b>-6.2</b>
OF WHICH : MANUFACTURING INDUSTRIES	121.6	134.5	129.3	10.6	-3.9
<b>BALANCE OF TRADE</b>					
- OVERALL EXPORTS FOB	9,517.7	11,348.6	12,909.8	19.2	13.8
- OVERALL IMPORTS CIF	12,046.4	15,791.8	16,507.1	31.1	4.5
- TRADE DEFICIT EXCLUDING ENERGY FOB-CIF (2)	2,662.6	4,252.6	3,211.8	1,590.0	-1,040.8
- OVERALL TRADE DEFICIT FOB-CIF (2)	2,528.7	4,443.2	3,597.3	1,914.5	-845.9
- OVERALL COVERAGE RATE FOB-CIF (%)	79.0	71.9	78.2	-7.1 points	+6.3 points
<b>INCREASE IN CONSUMER PRICES :</b>					
- SHIFT FROM THE BEGINNING OF THE YEAR (%)	1.2	1.7	0.8		
- IN TERMS OF MONTHLY AVERAGES (%)	3.2	4.8	3.1		
<b>TOURISM</b>					
- NON RESIDENT ENTRIES (1,000 persons)	2,967	2,908	1,768	-2.0	-39.2
- OVERALL BEDNIGHTS (1,000 units)	13,528	12,820	6,017	-5.2	-53.1

(1) At end of April of each year.

(2) Variations are expressed in millions of dinars.

**MAIN MONETARY AND EXTERNAL FINANCE INDICATORS<sup>(1)</sup>**

(In MTD unless otherwise indicated)

DESCRIPTION	JUNE		VARIATION IN%	
	2010	2011	<u>JUNE 2010</u> <u>DEC. 2009</u>	<u>JUNE 2011</u> <u>DEC. 2010</u>
<b>MAIN MONETARY AGGREGATES OF THE FINANCIAL SYSTEM (2)</b>				
<b>M4 AGGREGATE</b>	40,506	44,778	4.5	3.0
<b>MONEY SUPPLY (M3)</b>	40,394	44,512	4.7	2.9
<b>NET CLAIMS ABROAD (3)</b>	8,995	5,632	-636	-3,517
<b>DOMESTIC LOANS</b>	46,360	53,916	8.3	8.4
<b>NET CLAIMS ON THE STATE (3)</b>	6,688	7,298	-47	729
OF WHICH : - TREASURY BONDS (3)	2,476	2,554	-80	112
- TREASURY CURRENT ACCOUNT (3)	442	331	46	-274
<b>FINANCING OF THE ECONOMY</b>	39,672	46,618	10.0	8.0
<b>EXTERNAL PAYMENT INDICATORS (2)</b>				
<b>TOURIST RECEIPTS (4)</b>	1,366	674	-2.9	-50.7
<b>CASH LABOUR INCOME (4)</b>	1,025	940	12.2	-8.3
<b>DEBT SERVICE (4)</b>	1,324	2,111	-0.3	59.4
<b>CURRENT DEFICIT (3) (4)</b>	-2,438	-2,498	-1,735	-60
<b>GENERAL BALANCE OF THE BALANCE OF PAYMENTS (3) (4)</b>	-584	-3,069	-1,142	-2,485

(1) Figures of end of period for monetary statistics and accumulated from the beginning of the year for external payments.

(2) Provisional data for 2010 and 2011.

(3) Variations are expressed in millions of dinars.

(4) Variations compared with the same period of the previous year.

**EXCHANGE RATE (IN DINAR) (1)**

DESCRIPTION	JUNE		VARIATION IN%	
	2010	2011	<u>JUNE 2010</u> <u>DEC. 2009</u>	<u>JUNE 2011</u> <u>DEC. 2010</u>
<b>1 US DOLLAR</b>	1.5173	1.3671	15.2	-4.9
<b>1 EURO</b>	1.8621	1.9809	-1.9	3.1
<b>1,000 JAPANESE YEN</b>	16.9761	16.8301	20.4	-3.9
<b>1 STERLING POUND</b>	2.2528	2.1675	6.4	-1.9
<b>10 MOROCCAN DIRHAMS</b>	1.6700	1.7282	0.5	1.6

(1) Interbank average market rate of end of period.